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Director of
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CENTRAL AMERICA: Military Operations in El Salvador

Recent armed forces operations may have contributed to delays in scheduled guerrilla actions, but the major insurgent push expected the last of this month will not likely be affected.

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Senior military officials have announced that the operation in the Guazapa volcano area has been terminated. Some units are to remain in the area, however, to deter the buildup of guerrilla forces for attacks against the capital. [redacted] as of Monday 40 soldiers had been killed or wounded and 76 guerrillas killed.

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Comment: The operation at Guazapa--while not a clear-cut victory of the armed forces--may have temporarily disrupted the schedule for insurgent actions in the capital and against other cities.

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Nicaraguan Developments

The president of Nicaragua's businessmen's organization--who recently was released from jail because of pressure exerted by Mexican President Lopez Portillo--dismisses the possible effectiveness of outside interference on the Sandinistas. Instead, he believes that US support for his group and other elements of the democratic opposition would be a more effective check.

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USSR: Chernenko's Status

Party secretary Chernenko appears to have assumed at least some of the responsibilities held by deceased party ideologue Suslov. [redacted]

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This week, Chernenko filled Suslov's former role as the key figure handling interparty relations in the negotiations between Polish Premier Jaruzelski and Soviet Politburo members. During an award ceremony last week, Chernenko stood next to President Brezhnev--the position Suslov occupied on such occasions. [redacted]

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Chernenko's stature was further enhanced in a major article he has written for a party journal stressing that greater attention must be paid to Soviet public opinion in the wake of events in Poland. He urged party leaders to forestall discontent by broadening discussion in the party by showing more receptivity to new methods in resolving problems. He also used the article to build his regional support by praising the major party organizations in Moscow, Leningrad, Georgia, and the Ukraine. [redacted]

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Meanwhile, Andrey Kirilenko, Chernenko's chief rival, has maintained an unusually low profile. He did not participate in the negotiations with Jaruzelski or attend the award ceremony. [redacted]

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Comment: These recent events provide strong evidence that Chernenko has taken over Suslov's position as the second most important party leader as well as Suslov's foreign policy responsibilities. The recent article shows that, unlike the conservative Suslov, Chernenko favors some reforms in domestic policy. Although his position is strengthened, his new duties do not assure him the type of power base he needs to succeed Brezhnev. [redacted]

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BELGIUM: Economic Pressure

//Mounting economic problems are providing the most serious challenge to Prime Minister Marten's center-right government since it was formed two months ago.//

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//The situation worsened this week when the European Commission rejected a Belgian plan to restructure its hard-pressed steel industry thereby jeopardizing the continuation of badly needed EC funds. The government is convinced that the steel industry cannot show a profit by 1985 as the Commission had demanded.//

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//The Commission's decision has prompted thousands of workers throughout economically depressed Wallonia to stage more strikes and demonstrations. During the past few days, violence has grown and antagonism between leaders in Wallonia and more prosperous Flanders has intensified.//

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//The steel strikes are only part of growing worker resistance to deep cuts in public spending. The government will begin talks next week with union leaders and employers in an effort to win their support for its overall economic program.//

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Comment: //There is considerable pressure on Walloon Christian Social and Liberal members of the cabinet, and failure of the talks could lead to collapse of the government. Martens, however, probably can buy a bit more time by promising to reconsider some of the deeper cuts and by returning to the European Commission for more talks.//

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//Nonetheless, the Prime Minister cannot increase spending and still hope to make economic progress. If compromise cannot be reached on the steel issue, the government would be more likely to defy the Commission than risk being toppled by worker unrest.//

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IRAN - SAUDI ARABIA: Iranian Pilots Defect

//Two Iranian pilots defected to Saudi Arabia in an F-4E Phantom yesterday. While over the Persian Gulf, the fighter was identified by US Air Force AWACS and Navy ships. The Iranians requested and were granted permission to land at Dhahran Airfield.//

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INTERNATIONAL: Possible Deadlock on Disarmament

//Neutral and nonaligned states at the meeting of the Committee on Disarmament in Geneva reportedly are threatening to block any action by the Committee unless the US agrees to the establishment of a working group on a comprehensive nuclear test ban. Allied governments are urging the US to show flexibility to prevent the USSR from scoring a propaganda victory.//

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Comment: //Action by the Committee requires unanimous consent, but, if the US uses the rule to prevent formation of a group, the nonaligned nations appear ready to obstruct work on other issues. The Soviet Bloc probably will support the nonaligned tactic to make the US appear the only nation preventing progress in arms control. US allies, because of their own domestic concerns, will refuse to help prevent establishment of a working group. If a deadlock develops at Geneva, the ability of the US to influence the course of arms control discussions at the NATO Summit and the UN Special Session on Disarmament in June will be affected.//

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VENEZUELA: Sagging Oil Revenues

Venezuela, which faces stiff competition from Mexico, this week reduced the price of its heavy crude oils by \$2.50 per barrel in another effort to increase sales. Nevertheless, since early January, petroleum exports of all kinds have averaged only 1.5 million barrels per day, 300,000 barrels per day below the goal for 1982. The composite price for a barrel of Venezuelan petroleum and products is now \$28.80, or \$1.60 less than that used to project oil revenues for 1982. [redacted]

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Comment: At current rates, Venezuelan oil export income this year would fall about \$4.1 billion short of original projections, and further declines are possible. The possibility of such a large deficit will force the government to revise spending plans, particularly for several costly projects under way. The shortfall also may affect plans for development of the heavy oil deposits in the Orinoco Basin and for financial assistance to Central American countries. [redacted]

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SPAIN: Trial of the Coup Plotters

Leaders of the principal political parties have generally cooperated to keep the trial of the plotters from becoming a partisan issue. Written statements submitted by the two most prominent defendants--Generals Armada and Milans del Bosch--disagree on which of them led the coup attempt last year. [redacted]

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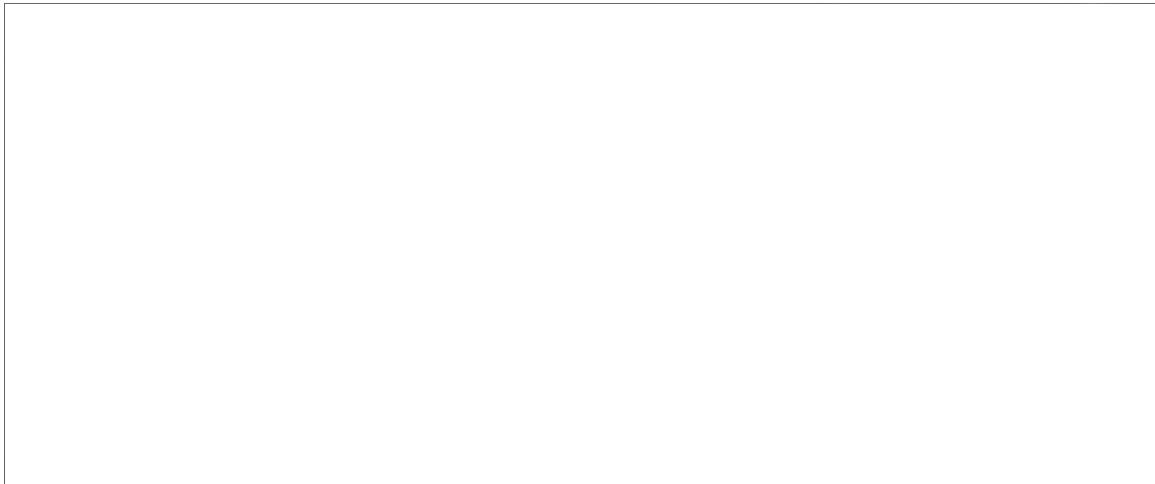
Comment: //The crucial moments in the trial will arrive when the court attempts to resolve the contradictions between the defendants' statements. The testimony so far appears to have averted the greatest danger--branding the King with a charge of first encouraging and then betraying the coup. That accusation would not be credible without support from Armada--a longtime close associate of the King's. [redacted]

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YUGOSLAVIA-ITALY: Support for Italian Communists

Yugoslav Party Presidium member Dolanc met with Italian Communist Party chief Berlinguer in Rome this week. The Yugoslavs previously have maintained a low profile concerning the dispute between the Soviet Communist Party and the Italian Party which arose because of the Italians' condemnation of the USSR and the martial law regime in Poland.

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Comment: The visit reflects a growing sentiment in Belgrade to show more support for the Italian Party. This attitude probably stems from the Yugoslavs' desire to demonstrate to Moscow that its efforts to isolate the Italian Communists or any other independent Communist party cannot succeed. Moscow is irritated by Belgrade's actions but probably will confine any disapproval to private channels to avoid further deterioration in bilateral relations and in the international Communist movement.

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NORTH KOREA: Reaction to Joint Exercise

The military exercise conducted annually by US and South Korean forces has caused North Korea to respond with increased anti-US propaganda and repeated denunciations of flights by US SR-71 reconnaissance aircraft. No significant changes have been detected in the alert status of North Korean forces. [redacted]

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Comment: P'yongyang often conducts large-scale maneuvers in late winter but may be delaying or scaling back training this year in conjunction with the extensive preparations for the celebration of Kim Il-song's birthday on 15 April. [redacted]

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